

# TIMS

TAX INFORMATION MANAGEMENT SYSTEM

## NCDOR TIMS Presentation

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North Carolina Department of Revenue



# TIMS Key Objectives

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- Increase revenue collection
- Increase taxpayer compliance
- Improve agency effectiveness and efficiency
- Provide better service to taxpayers
- Replace aging IT infrastructure and eliminate single points of failure
- Promote public trust through increased transparency

# Technology Components by Release

	10-2008 RFP awarded	1Q 2010	2Q 2011	3Q 2011	3Q 2013	TBD
	RELEASE 1	RELEASE 2	RELEASE 3	RELEASE 5	FUTURE RELEASE	
	Focus: DTAX Revenue Generation FY 2009	Focus: DTAX Revenue Generation FY 2010+	Focus: Non-ITAS Integrated Tax Processing	Focus: ITAS Replacement	Focus: Taxpayer Self-Service	
INITIATIVES	Oct '09-Mar '10	Oct '09-Jun '11	Oct '08-Jul'11	3 <sup>rd</sup> Qtr 2013	TBD	
Business Intelligence (BI)		Complete	Complete		✓	
Collection Case Management (CCM)				✓		
Collection Initiatives: Benefits Funding Stream 1 'Fast Tracks'	Complete	Complete				
Collection Initiatives: Benefits Funding Stream 2				✓		
Compliance/ DiscoverTax (DTAX)	Complete	Complete	Complete	✓		
Customer Information Portal (CIP)					✓	
Customer Relationship Management (CRM)					✓	
e-Services (several projects)				✓	✓	
Integrated Tax (ETM)			Complete	✓		
Knowledge Management					✓	

# TIMS Summary of Benefits as of December 2012

## Collections by Initiative

Initiative	Gross Collection To-Date	Net Collection <sup>1</sup> To-Date	Vendor Fund <sup>2</sup> To-Date
IRMF	\$47,974,545	\$36,447,191	\$5,205,044
Refund Review and Fraud Prevention	\$7,873,457	\$7,873,457	\$1,694,603
Automated Attachment	\$105,742,858	\$81,123,492	\$27,792,489
Write-off Reversal Automation	\$25,838,777	\$18,187,491	\$5,644,881
Returned Mail Automation	\$22,094,669	\$16,255,381	\$3,817,176
Vendor Attachment	\$5,324,034	\$3,140,733	\$1,332,930
<b>TOTAL</b>	<b>\$214,848,340</b>	<b>\$163,027,745</b>	<b>\$45,487,124</b>

## Original Benefits - Forecast vs Actuals (in millions of \$)

	2010	2011	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4
Quarterly Gross - Forecast			7.26	6.92	6.62	6.74	6.55	6.35	6.03	5.92
Quarterly Gross - Actual			29.15	32.56	29.61	19.76				
Cumulative Gross - Forecast	2.36	26.95	34.22	41.14	47.76	54.50	61.05	67.41	73.44	79.36
Cumulative Gross - Actual	25.97	103.77	132.92	165.48	195.08	214.85				

State Share (in millions of \$)	2010	2011	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4
State Share - Forecast*							129.82	142.03	154.07	166.02
State Share - Actual*	2.01	33.08	55.05	80.46	103.12	117.54				

## Vendor Cost vs Funding

- Total Gross Benefits
  - Cumulative Gross - Forecast (Baseline): \$54.50M
  - Cumulative Gross - Actual: \$214.85M
- Total Vendor Funds<sup>2</sup>: \$79M
  - From Appropriations: \$33.51M
  - From Benefits: \$45.49M (reached July 2011)
- State Share of Benefits
  - Total allocated to State General Fund: \$117.54M

<sup>1</sup> After deducting collection fees, county tax, and penalties.

<sup>2</sup> Vendor funds of \$45.49M reached July 2011; no additional allocations will be made.

\* To provide more accurate forecasts, State Share Forecast is adjusted monthly based on previous months actual collections.

## Overview of the contract and the RFP

DOR issued an RFP for the replacement of the integrated tax system (ITAS). In August 2008, the contract was awarded to the sole respondent to the RFP – CGI. There have been 12 amendments to the original contract for functionality and modified business requirements. The contract amount through Amendment 11 is \$76,999,693 (which includes a credit to be applied of \$62,000). Amendment 12 has a potential contract amount of \$18,000,000 based on the successful completion of defined criteria for the \$2 million incentive payment, and \$16 million based on completion of defined initiatives and realization of benefits tied to those initiatives.

## Description of enhanced functionality of the new system

- Integration of all tax schedules into one system
- Additional internal/external data sources
- Improved refund review and fraud prevention
- Increased automation of compliance initiatives
- Improved and expanded taxpayer assessments and notices
- Improved return mail capabilities
- Improved ability to capture refunds to pay debts owed to North Carolina, local governmental agencies, and the IRS
- Reduction in manual effort for review and approval or denial of penalty waiver requests through system automation
- Ability to expand e-Services offerings including new online filing options, e-notices, secure messaging, account access, etc.
- Revised notices to include plain language and enhanced explanations
- Improved refund review and fraud prevention

### **Problems the previous system had that TIMS will rectify**

ITAS was implemented 20 years ago. The system is outdated and past the end of its useful life given changes in technology. It is costly to maintain, difficult to update for legislative changes, and does not easily interface with current technologies, especially those that are web-based. The full implementation of TIMS will enable the Department to more quickly respond to legislative changes, mandates, and requests for information, expand e-Services offerings to taxpayers, take advantage of new data sources, and stay current with technology through version updates.

## Data sharing initiatives between the IRS and the DOR

Section 6103(d) of the Internal Revenue Code authorizes the disclosure of tax information to state taxing agencies that enroll in the IRS Governmental Liaison Data Exchange Program and can justify that the information is needed and will be used for a specific state tax administration purpose.

The North Carolina Department (Department) of Revenue and the Internal Revenue Service (IRS) executed an Implementing agreement for Exchange of Tax Information through the Governmental Liaison Data Exchange Program (GLDEP).

The Department has developed and implemented many tax initiatives as a result of our data exchange agreement with the IRS. In addition, the Department utilizes many other tape extracts provided by the IRS for potential audit candidates.



# Data sharing initiatives between the IRS and the DOR (6 initiatives)

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- CP-2000 – This initiative identifies individuals that failed to include one or multiple income sources within their individual income tax return. Examples of income sources include W-2, 1099-misc, etc.
- IRMF – This initiative identifies individuals that have failed to file a Federal or State individual income tax return for a specific tax year. The Information Return Master File (IRMF) contains information return items such as W-2, 1099-int, 1099-misc, 1099-B, etc.
- IRTF – This initiative identifies individuals that filed a Federal tax return but failed to file a North Carolina individual income tax return for a specific tax year. The Information Returns Transactions File (IRTF) provides specific tax line item information required to compute North Carolina tax liability.
- FTI Match – This initiative identifies taxpayers who have filed both Federal and State returns, but taxable income does not match on each return. North Carolina individual income returns start with the amount of taxable income on the Federal return, also called federal taxable income.

# Data sharing initiatives between the IRS and the DOR (6 initiatives)

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- Listed RAR – This initiative reviews all Revenue Agent Reports (RAR) provided by the IRS for Individuals, Corporations, Partnerships, and S-corporations. The Department properly adjusts the tax liability for all Individuals, Corporations, Partnerships, and S-corporations that filed an original return but failed to file an amended return reporting the Federal tax adjustment(s).
- Not-Listed RAR - This initiative reviews all Revenue Agent Reports (RAR) provided by the IRS for Individuals, Corporations, Partnerships, and S-corporations. As a result of the RAR information, the Department identifies Individuals, Corporations, Partnerships, and S-corporations that failed to file an original or amended return reflecting Federal adjustments.

*Note:*

- The following statistics represent net assessments directly associated with the Governmental Liaison Data Exchange Program. However, there are also additional net assessments which are not included in the next graph that can be indirectly attributable to the data exchange program as a result of data mining to identify potential audit candidates not in compliance with North Carolina tax laws.

# Benefits to NC for data sharing

Initiative	FYE 6/30/2008	FYE 6/30/2009	FYE 6/30/2010	FYE 6/30/2011	FYE 6/30/2012
CP-2000	40,293,608	37,858,527	48,948,336	49,054,912	36,401,383
FTI-Match	22,642,007	7,820,311	8,399,600	9,085,107	7,638,129
IMF/IRTF	60,855,936	9,422,824	100,836,318	18,764,471	14,246,202
RAR-Listed	22,300,016	36,167,378	25,634,709	11,494,988	18,685,768
RAR-Not-Listed	20,124,610	40,993,106	38,372,340	-1,228,517	20,744,341
IRMF	0	0	5,650,652	89,923,528	107,629,860
Total	166,216,177	132,262,146	227,841,955	177,094,489	205,345,683

5 year benefit is \$ 908,760,631

## **Can NCDOR share IRS data or state data that has been comingled with IRS data? IRS does not allow this.**

- The North Carolina Department of Revenue has entered into an agreement with the IRS for the exchange of data. Publication 1075 provides the safeguards for protecting federal tax returns and return information.
- Federal tax information disclosed to a state tax agency may be used only for purposes of state tax administration. Pub. 1075 at 15.
- The Internal Revenue Code does not permit state tax agencies to furnish federal tax information to other state agencies unless the IRS has explicitly granted authority to do so under I.R.C. § 6103(p)(2)(B). Pub. 1075 at 31.
- If federal tax information is comingled with state tax information, the comingled data is treated as federal tax information. Pub. 1075 at 29-30.

## What data can NCDOR share.

Senate Bill 51 requires DOR to release or otherwise provide access to, all data requested by GBICC relating to the registration and address of active businesses, business tax reporting, and aggregate federal tax Form 1099 data.

Subject to modification of N.C. Gen. Stat. § 105-259, DOR can provide the following information:

- Name and address of businesses registering for sales taxes
- Name and address of businesses registering for withholding taxes.
- We can share this data after going through a process to scrub the data to ensure that it is not federal tax information.

## What data can NCDOR share.

The business registration information for sales and withholding taxes will identify active businesses.

We can also provide aggregate 1099 and W-2 information filed with DOR by business taxpayers on Form NC-3.

*Note:* We will not be able to share aggregate IRS1099 data since the disclosure of this information is prohibited.

# TIMS

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Thank You

Additional Questions